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ARIZONA CORPORATION COMMISSION

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October 4, 2005

Re: APS Application for Authorization to Acquire Out-of-State Renewable Resources;
Docket No. E-01345A-05-0675

Dear Parties to the Docket:

As you know, on September 22 APS filed an application for authorization to acquire 144 MW of renewable energy projects in California and New Mexico. These projects were bid pursuant to the APS 100 MW renewable energy Request for Proposal mandated as part of the APS Settlement Agreement and this Commission's subsequent Order.

As part of that RFP component of the Settlement Agreement, the Commission passed an amendment requiring the Company to return to the Commission to seek our express approval should it want to purchase any out of state renewable energy.¹

According to APS' application, approximately 96% of the renewable energy package would come from existing out of state projects. I was concerned at the time of the Settlement Agreement that the Company would choose out of state resources over in-state projects and I am very troubled at the prospect of sending Arizona ratepayer dollars to other states.² I voted for the APS Settlement Agreement in part because I believed that the Renewable RFP would lead to the construction of Arizona's first ever big wind project. Such a project would create good jobs, reduce the use of traditional fossil fuel-driven power plants and introduce this useful renewable technology to our state.

As part of reviewing APS' decision to accept these proposals, I believe that it is necessary to examine the bids that were rejected. According to APS' application, the Company rejected several Arizona projects that were more expensive than the 125% above market cost target established for the bidding process.

Therefore, I would like Staff and any other parties to this proceeding to evaluate the bids that APS rejected so that the Commission may consider APS' application in context. I am

¹ I proposed this amendment out of a concern that should APS end up choosing out of state projects, we should have the opportunity to judge that decision. Commissioner Spitzer demonstrated a concern about renewable projects going out of state with an amendment that he ultimately withdrew that would have required that 50% of the RFP projects be in-state.

² Two geothermal projects in California totaling 50 MWs and one 94 MW wind project in New Mexico.

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particularly interested in a discussion of whether any rejected in-state projects would have met APS' targeted delivery timeframe but would have been between 125% and 175% above market cost. Of course, I have not yet made up my mind on these issues, and I look forward to reviewing these issues as this proceeding progresses.

APS has provided some confidential information in this matter that I would like to be able to discuss in an open meeting. I would therefore request that a procedural conference be scheduled as soon as possible to address these very important issues.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", written in a cursive style.

Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
Commissioner Marc Spitzer
Commissioner William Mundell
Commissioner Mike Gleason
Ernest Johnson
Brian McNeil
Heather Murphy
Stephen Ahearn